

FY 2003-04
RESOURCE PROTECTION
Executive Recommendation

Agriculture
Environmental Quality
Natural Resources

**Summary: Executive Budget Recommendation
AGRICULTURE
FY 2003-04 Senate Bill 288**

Analyst: Kirk Lindquist

FY 2003-04 Appropriation Recommendations

	FY 2002-03 YTD	FY 2003-04	Difference: Exec to FY 2002-03 YTD	
	(as of 3/6/03)	Executive	Amount	%
IDG/IDT	\$10,960,400	\$10,857,400	(\$103,000)	(0.9)
Federal	6,851,700	6,801,700	(50,000)	(0.7)
Local	0	0	0	0.0
Private	1,127,600	1,127,600	0	0.0
Restricted	38,335,800	39,053,300	717,500	1.9
GF/GP	36,773,700	31,404,000	(5,369,700)	(14.6)
Gross	\$94,049,200	\$89,244,000	(\$4,805,200)	(5.1)
FTEs	635.5	569.0	(66.5)	(10.5)

Overview

The Department of Agriculture promotes Michigan agricultural products and protects the public from disease and unsanitary conditions in food production and handling. It regulates product labeling and producer practices for dairy products, animals, and plants, as well as enforcing consumer protection laws in food, standard weights/measures, animal health, plant pests, and diseases.

The Executive Budget recommendation is 5.1% less than FY 2002-03. The GF/GP portion is \$5.4 million less than the year to date appropriation—a 14.6% cut.

Summary of Major Budget Issues

Funding Shifts and User Fee Increases

Restricted funds, fees, inspection fees and testing revenues are increased. More than \$2.0 million in Equine Industry Development Fund revenue would be diverted from programs traditionally supported from this revenue source into Department administrative and program support line items.

Grants to Soil Conservation Districts

Grants for training and special programs were reduced by \$195,300. The basic \$20,000 grant for each district was not affected.

Eliminated Program

The Seed Germination program was not included in the Governor's recommendations.

Major Budget Changes from FY 2002-03 YTD Appropriations:**1. Restricted Fund Shifts**

Restricted fund increases would be made in programs where similar GF/GP savings could be realized. License and inspection fees would save \$100,000 in the Food/Dairy and Pesticide/Plant Pest Management programs. The Laboratory would save \$100,000 through testing and weights/measures fees. Groundwater/Freshwater Fund and Agriculture Equine Industry Development Fund increases (\$75,000) would be made in the Environmental Stewardship and Animal Industry, respectively. Building Occupancy Charges would include \$200,000 (federal) as well, replacing reduced GF/GP.

	YTD FY 2002-03	Executive Change
Gross	\$0	\$0
Restricted	0	475,000
GF/GP	\$0	(\$475,000)

2. New Fees and Fee Increases

Executive budget recommendations include new fees and fee increases. Estimated revenue increases from these fees are:

Nursery Stock Inspection Fees	\$140,000
Private Pesticide Applicator Fees	130,000
Metrology Laboratory Testing Fees	120,000
Laboratory Analysis Fees	50,000
Livestock Dealer/Agent Fees	40,200
Right to Farm Reinspection Fees (NEW)	25,000
Pet Shop Fees (NEW)	17,900
Cervid Facility Registration Fees	16,100
Animal Control/Protection Shelters (NEW)	5,200
Horse Riding Stable Licenses	5,000

Gross	\$83,800,100	\$0
Federal	6,639,500	0
Private	1,127,600	0
Restricted	38,335,800	549,400
GF/GP	\$36,773,700	(\$549,400)

3. Redistribution of Equine Industry Development Fund (EIDF)

The Executive budget would reduce EIDF support in equine programs and redistribute funds to Department programs. These programs include:

Animal Industry	\$500,000
Laboratory Program	500,000
Market Development	450,000
Executive Direction	325,000
Pesticide and Plant Pest Management	250,000

Gross	\$83,800,100	\$0
Federal	6,639,500	0
Private	1,127,600	0
Restricted	38,335,800	2,025,000
GF/GP	\$36,773,700	(\$2,025,000)

4. Elimination of the Regulatory Seed Program

The Seed Inspection and Testing Program would be eliminated. This program was established to assure that seed for sowing meets label guarantees and is weed free.

Gross	\$452,000	(\$452,000)
GF/GP	\$452,000	(\$452,000)

5. Reduce Fruit and Vegetable Inspections

Funding for fruit and vegetable grading and quality inspections would be reduced. Increased reliance would be placed on buyer/seller quality control and assurance efforts.

Gross	\$1,206,000	(\$300,000)
Restricted	570,000	0
GF/GP	\$636,000	(\$300,000)

6. Local Conservation District Grants

Grants to soil conservation districts would be reduced. The Executive recommendation would reduce funds used for training, and formula grants provided in boilerplate. Each district would receive the basic \$20,000 grant.

Gross	\$1,856,700	(\$195,500)
GF/GP	\$1,856,700	(\$195,500)

Major Boilerplate Changes from FY 2002-03:**Sec. 211. Restricted Revenue Carryforward - DELETED**

The Executive deleted provision prohibiting the lapse of restricted fund revenue to the General Fund.

Sec. 211. Incentive for Administrative Efficiencies - NEW

The Executive allows re-appropriation of one-half of the realized GF/GP lapse from FY 2002-2003. Funds could be spent if the proposed spending plan is approved by the State Budget Director.

Sec. 216 and 811. Agriculture Equine Industry Development Fund - DELETED

The Executive deleted provision appropriating unclaimed ticket revenue to the Agriculture Equine Industry Development Fund.

Sec. 301. Commissions and Boards - DELETED

The Executive deleted authorization to make per diem payments to members of Department commissions and boards.

Sec. 501. Pesticide Personnel Training - DELETED

The Executive removed \$100,000 set aside to train pesticide applicators.

Sec. 702. Food Bank - DELETED

The Executive removed authorization to expend unused funds for direct food purchases.

Summary: Executive Budget Recommendation

ENVIRONMENTAL QUALITY

FY 2003-04 House Bill 4393

Analyst: Kirk Lindquist

FY 2003-04 Appropriation Recommendations

	FY 2002-03 YTD	FY 2003-04	Difference: Exec to FY 2002-03 YTD	
	(as of 3/6/03)	Executive	Amount	%
IDG/IDT	\$14,042,900	\$14,142,900	\$100,000	0.7
Federal	131,521,400	129,169,500	(2,351,900)	(1.8)
Local	0	0	0	0.0
Private	435,700	435,700	0	0.0
Restricted	192,059,100	147,153,500	(44,905,600)	(23.4)
GF/GP	66,653,161	53,055,800	(13,597,361)	(20.4)
Gross	\$404,712,261	\$343,957,400	(\$60,754,861)	(15.0)
FTEs	1,596.7	1,622.7	26.0	1.6

Overview

The appropriations bill for the Department of Environmental Quality supports environmental protection, conservation, cleanup, and redevelopment programs. Appropriated funds support regulatory efforts established to protect, restore and reuse Michigan's air, water, and land resources. State GF/GP revenue for environmental programs represents 18% of the total appropriation. Nearly half of the revenue is provided from restricted (permit and license) revenue.

Summary of Major Budget Issues

Funding Shifts and Fee Increases

Three significant fee proposals are offered: National Pollution Discharge Elimination System fees, \$7.2 million; Groundwater Discharge Permit fees, \$3.6 million; Stormwater Discharge Permits, \$1.1 million. Each of these proposals requires legislative authorization.

MUSTFA Appropriation

The \$ 58.0 million appropriation is not included. Bond payments will be made from the escrow account. The fee (collected at the gas pump) is to sunset in 2003.

Eliminated Programs

Septage Grants and Waste Hauler Compliance Program, \$1,874,100; Recreation Resources, \$651,500; Site planning for manufactured homes, \$621,200

Major Budget Changes from FY 2002-03 YTD Appropriations:		YTD FY 2002-03	Executive Change
PROGRAM REDUCTIONS			
1. Septage Waste Grants	Gross	\$1,525,000	(\$1,525,000)
The Septage Waste Hauler License Fee deduct would be eliminated reflecting elimination of the septage program.	Restricted	1,525,000	(1,525,000)
2. Recreational Resources Program	Gross	\$651,500	(\$651,500)
Swimming pool inspections and certifications for public swimming facilities (including public schools and higher educational institutions) would be discontinued. Inspections and plan reviews would be the responsibility of local regulatory organizations.	Restricted	318,100	(318,100)
	GF/GP	\$333,400	(\$333,400)
3. Septage Program	Gross	\$349,100	(\$349,100)
Septage waste haulers would no longer be inspected or monitored. Disposal practices would be regulated through local public water protection programs.	Restricted	227,400	(227,400)
	GF/GP	\$121,700	(\$121,700)
4. Manufactured Housing	Gross	\$621,200	(621,200)
Inspections of manufactured homes and certification of mobile home park water supplies would be handled by local regulatory authorities.	GF/GP	\$621,200	(\$621,200)
5. Environmental Audit Training	Gross	\$295,800	(\$295,800)
The Department-sponsored workshop program will no longer be supported from workshop revenue. This service never materialized.	Restricted	295,800	(295,800)
ONE TIME PROGRAMS AND FUNDING ADJUSTMENTS			
6. Michigan Underground Storage Tank Financial Assurance Fund	Gross	\$0	(\$58,035,700)
The 7/8 cent fee on motor fuels would no longer be collected. Bonding requirements for the Underground Storage Tank cleanup program will be met in FY 2002-2003. Any remaining revenue in the fund will be transferred to the Environmental Response Fund and use to clean up contamination at underground storage tank sites.	Restricted	0	(58,035,700)
7. Superfund Program	Gross	\$7,000,000	(\$3,000,000)
The federal Superfund deduct would be reduced to reflect expected FY 2003-04 revenue.	Federal	7,000,000	(3,000,000)
8. Lake St. Clair Water Quality Monitoring	Gross	\$2,500,000	(\$2,500,000)
Funding for this one time budget item would be eliminated.	Restricted	2,500,000	(2,500,000)
9. Environmental Response Fund	Gross	\$2,439,000	(\$850,000)
The Environmental Response Fund deduct in the Storage Tank Program would be reduced to reflect expected spending requirements and anticipated FY 2003-04 revenue.	Restricted	2,439,000	(850,000)
PROGRAM EXPANSIONS AND FUNDING INCREASES			
10. Scrap Tire Grants	Gross	\$700,000	\$2,800,000
Scrap tire fees were increased from \$.50 to \$1.50 in November, 2002. This revenue increase would be added to the existing grant program for scrap tire recycling and site cleanup.	Restricted	700,000	2,800,000
11. Groundwater Discharge Permit Program	Gross	\$0	\$2,200,000
An expanded permit program would be established. Annual discharge permit fees would be collected from facilities that discharge waste water to the ground or groundwater. Enabling legislation is required.	Restricted	0	2,200,000
12. National Pollution Discharge Elimination Permit Program	Gross	\$0	\$2,200,000
A new fee would be assessed on facilities that produce and discharge liquid wastes. This increase would be provided for compliance and enforcement programs. Enabling legislation is required.	Restricted	0	2,200,000

Major Budget Changes from FY 2002-03 YTD Appropriations:		YTD FY 2002-03	Executive Change	
13. Storm Water Discharge Program		Gross	\$900,000	\$1,162,500
This expanded program, funded by an increased fee on municipal storm sewer systems and commercial sites, would enable the Department to meet new federal standards for storm water discharges. Enabling legislation is required.		Restricted	900,000	1,162,500
FEE INCREASES AND FUNDING SHIFTS				
14. National Pollution Discharge Elimination Permit Fees		Gross	\$0	\$2,200,000
A new fee would be assessed on facilities that produce and discharge liquid wastes into Michigan surface waters. This increase would provide nearly \$6.9 million in new revenue. Funds would be provided for proposed compliance program improvements and to realize GF/GP savings.		Restricted	0	7,220,900
		GF/GP	\$0	(\$5,020,900)
15. Groundwater Discharge Fees		Gross	\$1,388,200	\$2,200,000
A new fee on public and private discharges into the subsurface would support proposed program expansions of compliance and enforcement programs and replace reduced GF/GP support for the groundwater permit and solid waste compliance program.		Restricted	0	3,588,200
		GF/GP	\$1,388,200	(\$1,388,200)
16. Solid Waste Fees		Gross	\$3,800,000	\$2,200,000
A new fee structure for Michigan landfills will generate \$3.8 million in new revenue. This change would support proposed program expansions of solid waste regulatory programs and replace reduced GF/GP support for the groundwater permit and solid waste compliance program.		Restricted	1,311,900	2,594,600
		GF/GP	\$1,388,200	(\$1,388,200)
17. Laboratory User Fees		Gross	\$2,750,400	\$89,300
A revised fee structure for laboratory services would require payment for sample follow-up testing, cleanup site sample tests, and other activities subsidized by GF/GP appropriations.		Restricted	2,600,400	239,300
		GF/GP	\$150,000	(\$150,000)

Major Boilerplate Changes from FY 2002-03:**Sec. 210. Incentive for Administrative Efficiencies - NEW SECTION**

The Executive allows re-appropriation of one-half of the realized GF/GP lapse from FY 2002-03. Funds could be spent if the proposed spending plan is approved by the State Budget Director.

**Summary: Executive Budget Recommendation
NATURAL RESOURCES
FY 2003-04 House Bill 4400**

Analyst: Kirk Lindquist

FY 2003-04 Appropriation Recommendations

	FY 2002-03 YTD	FY 2003-04	Difference: Exec to FY 2002-03 YTD	
	(as of 3/6/03)	Executive	Amount	%
IDG/IDT	\$3,437,900	\$3,437,900	\$0	0.0
Federal	30,427,300	27,806,600	(2,620,700)	(8.6)
Local	0	0	0	0.0
Private	1,793,700	1,871,400	77,700	4.3
Restricted	177,513,900	180,203,500	2,689,600	1.5
GF/GP	41,624,447	28,823,500	(12,800,947)	(30.8)
Gross	\$254,797,247	\$242,142,900	(\$12,654,347)	(5.0)
FTEs	2,081.5	2,088.5	7.0	0.3

Overview

The appropriations bills for the Departments of Natural Resources and Environmental Quality support resource protection, conservation, and management programs. The GF/GP contribution to resource protection programs is only 17% of the total appropriation. Of the \$41.6 million appropriated for FY 2002-03, nearly \$14.0 million is provided to local governments for payments in lieu of taxes.

Like environmental protection programs, nearly all state support comes from license and permit revenue. Federal funds support game and fish habitat maintenance and hunter safety protection programs.

Summary of Major Budget Issues

State Parks

GF/GP support is replaced by restricted fund revenue (\$8.5 million). Fee support would be provided from motor vehicle fees and from the State Park Endowment Fund (revenue received from oil and gas royalty payments to the Natural Resources Trust Fund).

Taxes

The state would no longer make tax payments. Instead, a \$2.00/acre payment would be made to county governments. Restricted funds (Game and Fish Fund, Waterways, and the Natural Resources Trust Fund) would no longer make tax payments.

		YTD FY 2002-03	Executive Change
Major Budget Changes from FY 2002-03 YTD Appropriations:			
PROGRAM REDUCTIONS			
1. Payments in Lieu of Taxes	Gross	\$9,717,200	(\$7,704,300)
This program would be changed from a payment in lieu of taxes program to a new grant program to counties. Like the Swamp Tax, payments would be made at the rate of \$2 per acre.	Restricted	5,742,200	(5,742,200)
	GF/GP	\$3,975,000	(\$1,962,100)
2. Baseline Program Reductions - EO 2002-22	Gross	\$252,384,100	(\$1,095,800)
Program reductions would be made to make permanent reductions in the Department's operating budget. Reductions in FY 2002-03 were realized through the use of residual Recreation Bond revenue for debt service on 1988 Quality of Life Bonds (Department of Treasury).	Private	1,793,700	0
	Federal	30,427,300	0
	Restricted	176,338,800	0
	GF/GP	\$43,824,300	(\$1,095,600)
3. Marine Safety Grants	Gross	\$3,230,000	(\$425,000)
Marine Safety grant funds would be reduced. These grants are provided to county sheriffs to partially support the cost of enforcement of watercraft laws. Annual revenue to the Marine Safety Fund is not sufficient to cover the traditional funding level of the program.	Restricted	3,230,000	(425,000)
4. Department of Information Technology Rate Reduction	Gross	\$14,673,100	(\$241,900)
The rates used to charge Department DIT support costs would be reduced.	Restricted	12,949,100	0
	GF/GP	\$1,724,000	(\$241,900)
5. Building Occupancy Charges: Rate Reduction	Gross	\$2,139,100	(\$139,000)
The rates used to charge Department for state-owned office space would be reduced. Actual budget impact would be realized in the Department of Management and Budget.	Restricted	802,700	0
	GF/GP	\$1,336,400	(\$139,000)
ONE-TIME PROGRAMS AND FUNDING ADJUSTMENTS			
6. Federal Land and Water Conservation Fund Grants	Gross	\$4,134,000	(\$3,933,000)
The funding level for this grant program would be reduced to \$1,000; \$200,000 would continue to be appropriated for administrative costs of this program. The federal allocation for Michigan projects has not been established for FY 2003-04.	Federal	4,134,000	(3,933,000)
7. Payments In Lieu of Taxes	Gross	\$9,717,200	\$517,700
Restricted fund support would be added to this line item to cover the expected tax obligations for lands purchased from restricted fund sources. This program would be changed to a grant program (at the rate of \$2/acre). See item #1 above.	Restricted	5,742,200	517,700
	GF/GP	\$3,975,000	\$0
8. Treaty Waters and Natural Rivers Program Funding	Gross	\$0	\$204,000
Game and Fish Protection Fund would be provided to replace GF/GP reduced in FY 2002-03.	Restricted	0	204,000
PROGRAM EXPANSIONS AND FUNDING INCREASES			
9. Fish Production: Federal Grant Increase	Gross	\$24,322,400	\$900,000
The grant level for fisheries programs from the US Department of Interior would be increased.	Federal	6,699,400	900,000
	Private	22,300	0
	Restricted	17,396,700	0
	GF/GP	\$204,000	\$0
10. Marine Safety Training Grants	Gross	\$26,770,300	\$0
Additional federal funds are available for watercraft safety programs. This increase would replace GF/GP support reduced in this recommendation.	Federal	2,001,200	400,000
	Restricted	20,611,800	0
	GF/GP	\$4,157,300	(\$400,000)
11. Rural Community Fire Protection Grants	Gross	\$100,000	\$150,000
Additional federal funds are available for local fire departments.	Federal	100,000	150,000

Major Budget Changes from FY 2002-03 YTD Appropriations:		YTD FY 2002-03	Executive Change
FEE INCREASES AND OTHER ADJUSTMENTS			
12. State Park Funding Adjustments		Gross	\$0
The Natural Resources Commission would be authorized to establish park fees. Motor Vehicle Permits would be increased from \$20 to \$24, and Daily Permits would be increased from \$4 to \$6. Current law gives this authority to the Legislature. Park Endowment Fund support would be increased as well. Enabling legislation is required.		Restricted	0
		GF/GP	\$0
			8,546,900
			(\$8,546,900)
13. Park Improvement Fund Debt Service Payments		Gross	\$1,200,000
Debt service requirements for bonds sold for improvements at Sterling State Park would be less in FY 2003-04.		Restricted	1,200,000
			(\$133,100)

Major Boilerplate Changes from FY 2002-03:**Sec. 210. Incentive for Administrative Efficiencies - NEW SECTION**

The Executive allows the re-appropriation of one half of the realized General Fund lapse from FY 2002-2003. Funds could be spent if the proposed spending plan is approved by the State Budget Director.

Sec. 212. Fish and Wildlife Audit Settlement - NEW SECTION

The Executive would authorize \$556,000 to cover audit report exceptions identified in the advisory report dated October 11, 2002.

Sec. 304. Land Transfer Application and Transaction Fees - NEW SECTION

The Executive would authorize the Department to collect fees to cover costs related to the sale or exchange of State land.